



SAMSUNG SDS



# Korean CIO Survey 2008

Innovation through IT for Business Results

**A comparison of Korean and global views on the role of the IT function in business innovation**



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# Foreword

With the global economy changing rapidly, and uncertainty growing in the Korean market, it becomes more important, yet more difficult, for organizations to make the right investment decisions.

Focusing on the right decisions and choices is particularly critical during the current global economic turmoil. Because of the considerable amount of investment and costs involved in IT, it is more important now than ever for CIOs to ask questions like: “is the IT function focused on business values and performing well against business priorities?” and: “does the IT function have sufficient IT capabilities, and make sufficient use of internal and external resources, to achieve this objective?”

We feel that it is the right time to survey the views of CIOs in Korea in order to discover the answers to questions like these. The Korean CIO survey is based on one-to-one interviews with 100 Korean CIOs, representing all industry sectors. It is the result of a close collaboration between Samsung SDS, OpenTide and Capgemini Consulting. We have also taken the opportunity to make comparisons with 400 of our respondents’ global counterparts, interviewed for Capgemini’s 2008 Global CIO Survey.

During this critical period, global CIOs are making efforts to participate proactively in corporate decision making, to act as drivers of innovation and to stake a claim to be the focal point for sustainable growth within the corporation.

For that reason, this survey addresses the role of the CIO and the IT function in business innovation and proposes strategies that can put CIOs in a better position to drive business innovation.

We thank all the CIOs who participated for sharing their opinions with us. We value your effort and commitment. We hope that this report will stimulate discussion about the role of the IT function in Korea, its relationship to the business and how it can add value by participating in business innovation.




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*In Kim*  
Samsung SDS  
CEO




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*Eui Noug Han*  
OpenTide  
CEO




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*Eric Monnoyer*  
Capgemini Consulting  
Vice President  
BIS Global Leader

# Participating Companies and Organizations

**Samsung SDS, OpenTide and Capgemini Consulting would like to thank all 100 participating CIOs and senior managers who gave time to be interviewed for this CIO survey:**

## **Business Services**

Ajou University Medical Center  
Asiana Airline  
Cheil Worldwide  
Hallym University Medical Center  
Hansol PNS  
Hotel Shilla  
Korea Enterprise Data  
Korea University Hospital  
Postech  
S1  
SungKyunKwan University

## **Consumer Products & Retail**

Amore Pacific  
CJ CheilJedang  
CJ Corporation  
Dongsuh Foods  
Pulmuone

## **Energy & Utilities**

KEPCO

## **Financial Services**

Heungkuk Life Insurance  
Industrial Bank of Korea  
Korea Development Bank  
Korea Securities Finance Corporation  
Kyobo Life Insurance  
MetLife Korea  
Mirae Asset Life Insurance  
Mirae Asset  
National Health Insurance  
National Pension Service  
NHNonghyup  
Prudential Life Insurance Korea  
Samsung Card

Samsung Investments  
Samsung Life  
Samsung Securities  
Shinhan Financial Group

## **Manufacturing**

Cheil Industries  
Dong-A Pharmaceutical  
DongBu HiTek-SemiConductor Division  
Doosan Heavy Industries & Construction  
Eugene  
Green Cross  
Halla Climate Control  
Hynix  
Hyosung  
Hyundai Steel  
Il Dong Pharmaceutical  
ILYang Pharmaceutical  
LS Cable  
MagnaChip  
POSCO  
Renault Samsung Motors  
Samsung BP Chemical  
Samsung C&T - Construction  
Samsung Corning Precision Glass  
Samsung Electronics  
Samsung Electro-Mechanics  
Samsung Engineering  
Samsung Fine Chemicals  
Samsung Heavy Industries  
Samsung Petrochemical  
Samsung SDI  
Samsung Techwin  
Samsung Total Petrochemicals  
SeAH Besteel  
SeAH Steel  
SK Engineering & Construction  
SsangYong Motor

SungShin Cement  
Taekwang

## **Public, Government & Social**

Ministry of Environment  
Korea Securities Depository  
Korea Tourism Organization  
Military Manpower  
Administration  
Ministry of Foreign Affairs and Trade  
Ministry of Public Admin. and Security  
The Bank of Korea

## **Telecom, Media & Entertainment**

LG Telecom  
Samsung Everland Resort  
Taekwang systems

## **Travel, Transport & Logistics**

Charmzone  
GS Homeshopping  
Hmall  
IMK  
Incheon International Airport Corporation  
KORAIL  
Lotte Mart  
Samsung C&T - Trade  
SK Networks  
Additional companies participated in the survey  
but requested to remain anonymous.

# “ Business Innovation through IT ”



# Executive Summary

Business innovation is not a new mission for CIOs in Korea. In fact, they already contribute to business innovation, for example, by improving efficiency through IT.

Despite this achievement, CIOs are having to respond to ever-growing demands from top management, because of the key role played by information technology in business innovation today. They are well aware that the ability of the CIO and of the IT organization to create business value is critical and that the business expects the CIO to deliver results. As to how well they have met these expectations, CIOs themselves admit to some gaps.

We canvassed the views of Korean CIOs about the actual and potential role of the IT function with respect to business innovation. We then compared the responses of our 100 Korean CIOs with Capgemini's survey of 400 CIOs worldwide.

We found that, up until now, Korean CIOs have focused on basic IT performance in areas such as infrastructure management and business support. Korean IT functions were more successful than their international counterparts in these areas. However, current capabilities are insufficient to drive innovation further. First, companies must build their strategic IT strengths, such as the ability to identify IT-based innovative opportunities within and outside of the company. Organizations must also invest in these innovation-oriented strengths.

Currently, domestic CIOs<sup>1</sup> lag behind international ones in enterprise-level activities, such as participating in corporate strategy development, while there also seems to be a lack of participation and interest from Korean business management in IT strategy and decision-making. One of the key concerns for Korean CIOs is how they can help the CEO, and the business as a whole, to increase their understanding of IT. For this, CIOs must secure their position as a partner to the business. This, together with strong sponsorship from top management, will allow CIOs to discuss ideas and work together with the business in pursuit of innovation.

Rapid changes in the technology environment can lead to resource constraints and can impair a company's ability to innovate. Many international companies have already established a wide network of IT suppliers, clients, universities and other partners to adopt new ideas and technologies and to develop professional knowledge for innovation. To do this in an effective and timely manner, Korean CIOs must also have the ability to combine and utilize different channels as needed.

The unique selling point of CIOs is their combination of deep understanding of the business, technology market insight and their ability to deliver the value of technology to management and business. If they can capitalise on these attributes to deliver business value, then Korean CIOs will be able to secure their position as leaders of innovation.

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<sup>1</sup> Throughout this report we will use terms like "domestic CIOs" and "domestic companies" to refer to the respondents to our Korean survey; "global CIOs" refers to the respondents to Capgemini's Global CIO Survey.

# Innovation - A Definition

A definition of innovation is needed here, because what is innovative to one person can be a minor change to another, and what is innovative today is business as usual tomorrow.

For the purposes of this survey we have adopted the definition famously put forward by Peter F. Drucker (writer, sociologist and management theorist, who died in 2005):

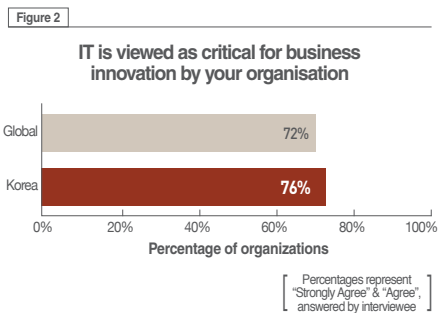
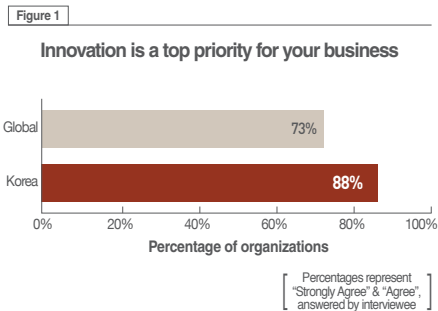
*“Change that creates a new dimension of performance”*

This report is concerned with a specific type of innovation: business innovation and its relationship to the CIO<sup>2</sup> and IT function. Innovation in the way that IT is delivered is outside the scope of the report.



<sup>2</sup> The Chief Information Officer (CIO) title is not consistently used across organizations and geographies. For the purposes of this report, we have taken it to mean the person who is ultimately responsible for the IT function.

# Business Innovation through IT for Delivering Results



“ Until now we have focused on building IT capabilities as a foundation. From now on, we have to make the effort to create and show strong business results. To achieve this, we need to gain confidence and trust from top management and business users. Without that confidence and trust, we simply cannot discuss business or innovation. ”

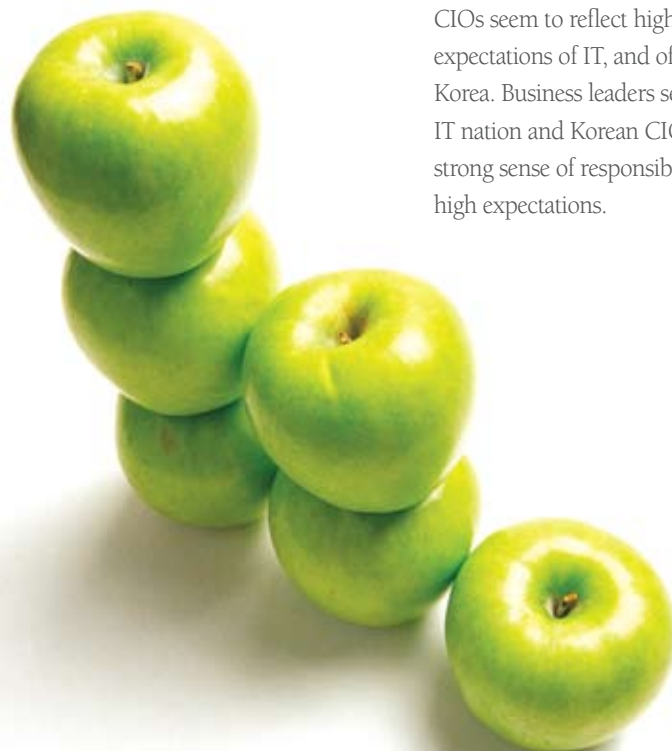
– CIO in Financial Services

## IT's key role in business innovation

CIOs, both in Korea and globally, agree that innovation is a cornerstone of corporate strategy, and that information technology plays a leading role in driving innovation.

As figure 1 shows, 88% of domestic respondents and 73% of global respondents believe that innovation is a top priority in corporate management. 76% and 72% respectively agree that information technology has a critical role in driving business innovation (figure 2).

Furthermore, both domestic and global companies responded that their company is encouraging innovation based on IT (domestic 72%, global 66%). The exceptionally positive views from domestic CIOs seem to reflect high management expectations of IT, and of the IT function, in Korea. Business leaders see Korea as a strong IT nation and Korean CIOs, in turn, feel a strong sense of responsibility to meet those high expectations.





### Transforming CIOs to become business innovators

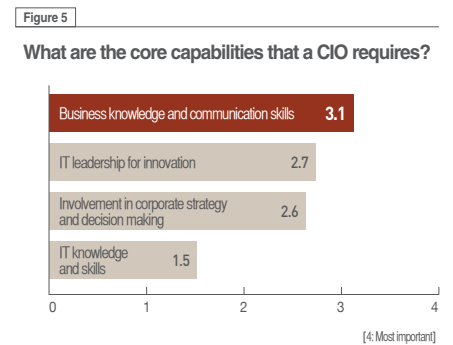
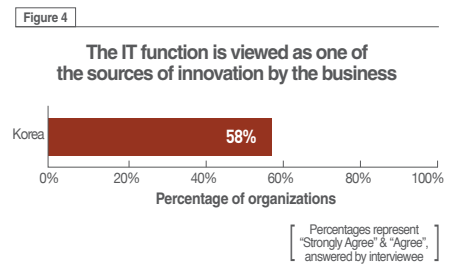
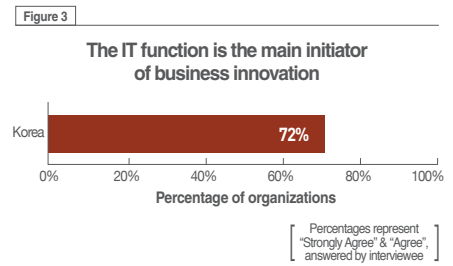
However, there is a difference of opinion between Korean CIOs and other senior management when it comes to the role of the IT function as a driver of business innovation: 72% of CIO respondents believe that the IT function is the main initiator of business innovation (figure 3), yet the CIOs report that only 58% of top management thinks of the IT function as even one of the sources of business innovation, (figure 4).

In other words, while CIOs believe themselves to be at the center of business innovation, management does not share that view.

Such differences of perspective show that, despite their efforts, CIOs in Korea are under-recognized by top management.

What are the core capabilities that top management expects of CIOs? As shown in figure 5, top management believes that CIOs should display strong business knowledge and communication skills together with IT leadership for innovation, and be involved in corporate strategy and decision making. Top management is demanding tangible results.

Only when CIOs are able to effectively deliver such performance results will management acknowledge the central role of CIOs in business innovation.



# Areas Where Innovation Delivers Results

**“ The CEO is not interested in what IT has done in the past. The CEO’s ‘top of mind’ issue is about what IT can do to help the business grow in future. Unless the CIO has a clear answer to this question, he or she will be in trouble with the CEO. ”**

– CIO in Manufacturing

## A new focus for innovation through IT in Korea

To gain improvements in business performance, which areas should a company focus on with respect to innovation and, in particular, innovation through IT?

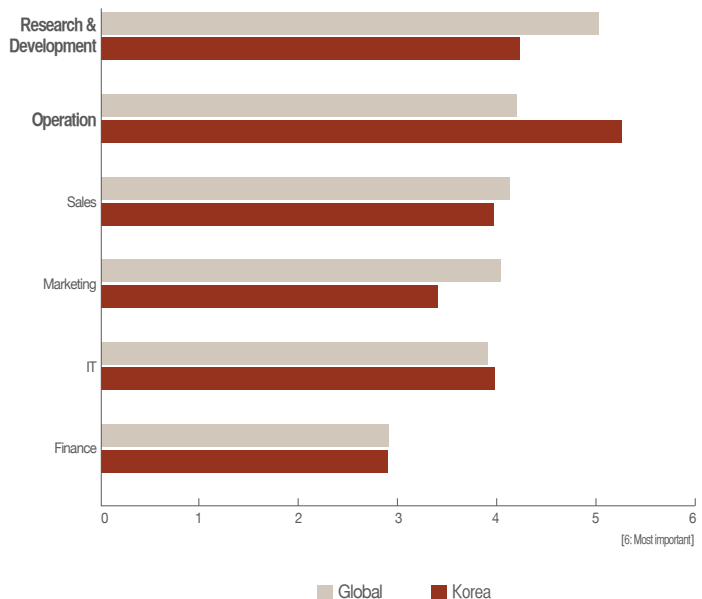
The survey shows that, globally, CIOs recognize R&D to be the biggest source of innovation (figure 6) and have focused their IT innovative activities on R&D. On the other hand, CIOs in Korea feel operations to be the biggest source of innovation and have targeted current operations for innovation through IT.

What is behind this difference? While domestic CIOs are still involved in IT innovation that is focused on cost containment and efficient internal operations, global CIOs have moved on to other areas of innovation, such as developing new products or creating new markets.

Domestic CIOs should broaden their perspectives into other areas for IT innovation, such as R&D, rather than solely concentrating on existing operational processes. To achieve visible results, they should focus the innovative activities of the IT function on the areas that have most strategic importance for business innovation.

Figure 6

Which areas are the most important in terms of originating innovation?



Case Study I

**TGV - service innovation driven by IT**

What started out as an innovative technology initiative by the IT function turned into a business program delivering a revenue stream in its own right. An IT opportunity has been reframed as a business opportunity.

**Situation**

The European rail transportation market has undergone progressive deregulation at the same time as it has experienced intensifying competition from low cost airlines. The French railway, SNCF, has responded by focusing on developing its image and brand, increasing market share against flights, enhancing customer satisfaction and loyalty and creating additional revenues with strong margins.

**Approach**

SNCF, in collaboration with Capgemini (an existing business partner for SNCF), conceptualized a new wireless service including internet access and multimedia services – global positioning on a map, hotel and event booking, televised news etc.

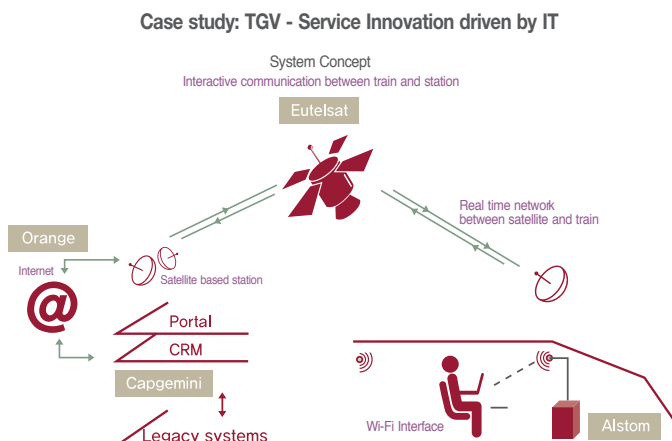
The concept of the services is illustrated in the diagram below (figure 7)

The idea progressed through reframing the original technical opportunity as a business opportunity, experimenting to prove the concept, shaping the offer in terms of marketing, service and business model, assembling best-of-breed partners, and implementing and operating the service.

**Result**

The new wireless service is providing a revenue stream in its own right, based on provision of a portfolio of over 80 services supplied by a network of internal and external partners. In addition it allows improved customer intimacy and insight, providing an exclusive one-to-one communication channel for direct marketing, customer surveys and cross selling. It is currently being piloted on TGV trains in Eastern France and on TGV connections in Germany, Switzerland and Luxembourg, and is progressing to full commercial rollout.

Figure 7



Case Study II

### Samsung Electronics MPS – business model innovation through servitization

#### Situation

“Servitization” - the integration of IT services with products - is becoming a key issue in the global business field, and there are more and more examples of traditional manufacturing companies shifting to become service providers through IT.

Recently, there have been attempts by domestic companies, such as Samsung Electronics and Hyundai Motors, to integrate IT services with their products. Why are global companies interested in servitization? Servitization is based on fundamental research into enhancing customer satisfaction; it creates a new business model through the convergence of products and services (figure 8) and has great potential for growth.

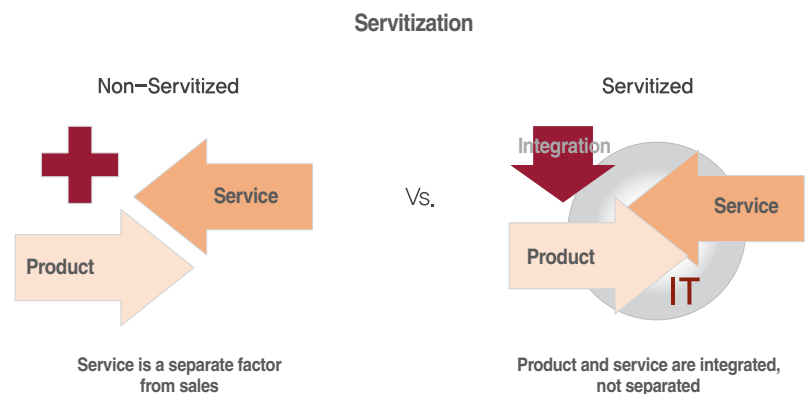
#### Approach

In 2007, Samsung Electronics and Samsung SDS, an IT service provider, became partners and entered into the MPS (Managed Printing Service) market. The current printer market stands at 140 billion dollars annually and both companies recognized that 80% of the printers and 95% of the supplies come from the B2B market. They joined forces to promote MPS by co-monitoring the status of printers and co-distributing paper and toner.

#### Result

Convergence of the provision of its printing equipment with provision of printing services meant that Samsung Electronics, working together with Samsung SDS, was able to boost value by targeting companies in the B2B market.

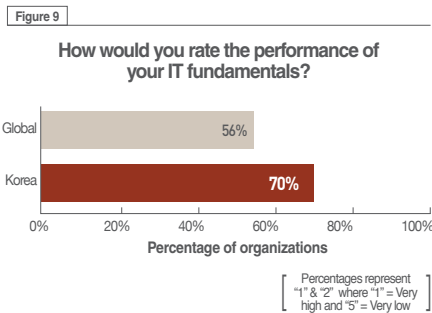
Figure 8



**“ How focused are you on  
the business values of your  
corporation? ”**



# Strategic IT Capabilities Beyond the IT Fundamentals



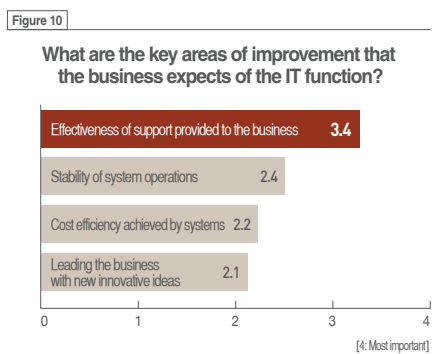
“ We are already under too much pressure doing what the business expects us to do, such as keeping the lights on and handling numerous service requests. Although we do understand the importance of the business innovation role, we do not have room to move on to innovation because of this situation ”

– CIO in Business Services

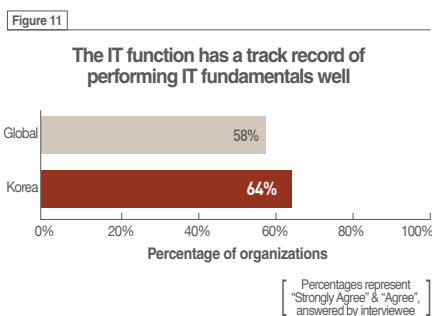
## Strong IT fundamentals are the basis for business innovation

IT fundamentals are defined as the basic operational elements of the IT value chain: application management, infrastructure management and business support.

When asked about the performance of IT fundamentals in their company, 70% of domestic CIOs responded “very good” or “good”, which is better than global performance (56%), as shown in figure 9. Korean CIOs are making efforts to standardize and optimize basic IT implementation, as is illustrated by the statistic that 56% apply industry standard processes, such as ITIL or COBIT, to their operations.



Such positive results come from the time and effort invested by CIOs in Korea to meet the demands and expectations of the business for stable operations, business support, cost containment and accessible systems (figure 10).



Korean business managers acknowledge that their companies have strong IT fundamentals (figure 11).

So what effect do strong IT fundamentals have on the CIO's ability to drive innovation?

As figure 12 below shows, CIOs in Korea and around the world share the understanding that by providing strong fundamentals CIOs earn the right to participate actively in business innovation. They then have a starting point from which they can deepen their understanding of strategic issues, improving the relationship with the business and securing available IT resources.

The survey found that 92% of the domestic companies who participated in the survey use IT outsourcing to help deliver strong IT fundamentals. In addition, the level of outsourcing within their IT budgets is more than equal to the global level (domestic 39%, global 37%). Figure 13 illustrates that both global and domestic CIOs believe IT outsourcing provides additional capability and releases staff to focus on innovation.

Though Korean CIOs agree that outsourcing IT releases staff for innovation, the survey findings point to a shortage of IT staff. When asked about their most important barriers to participation in innovation, a majority of domestic CIOs answered "difficulties in recruiting skilled staff". This is borne out by a comparison with global statistics, as the ratio between the total staff and IT staff in Korea is just half that of the global ratio (figure 14).

Building a strategic IT function will require the recruitment of IT staff with the right capabilities. This shortage of staff for innovation is a symptom that CIOs are not taking the lead in this area and are not getting management support to do so.

Figure 12

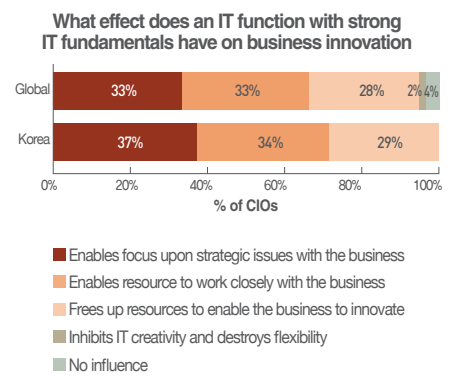


Figure 13

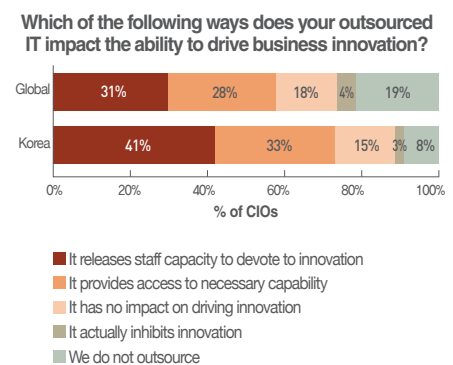
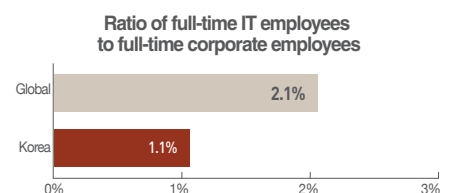


Figure 14



## New strategic IT capabilities for innovation

Excelling in IT fundamentals is not, by itself, sufficient for the CIO to become a driver of business innovation. In other words, strong IT fundamentals do not mean that a CIO can immediately participate in discussions with management and the business about the business innovation agenda. There need to be strategic IT capabilities in place (such as those described in figure 15) that will enable the move from an operational role to an innovation role.

Developing these strategic IT capabilities provides the platform for the CIO to drive business innovation through IT. The IT function must become adept at:

**Discovering opportunities for IT-driven innovation** – Be aware of technical trends within and outside the business; identify areas for innovation, and create pools of potential to exploit these opportunities

**IT strategy development and execution** – Create a mission and a strategic route to be taken by IT in the medium term, based on the opportunities for IT-driven innovation; agree a plan with the business for executing the strategy

**Establishment and management of enterprise architecture** – Based on an enterprise business model, establish standards and principles for applications, data and infrastructure; monitor and maintain ongoing tasks for IT-driven innovation to meet demands from the business

**Project portfolio management** – Deliver enterprise innovation strategies by creating a project portfolio of IT-driven innovation tasks; make changes and set priorities based on the importance of innovation and mutual relationships

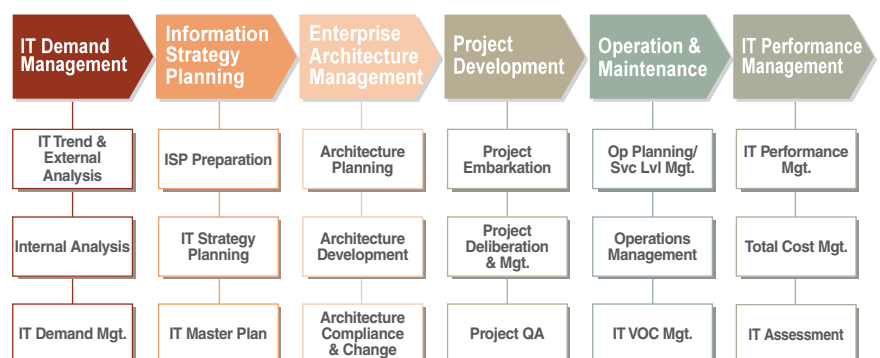
**Management and improvement of system operation** – Create necessary IT service categories and standards for business implementation; maintain and control the level of IT services through monitoring of operational and improvement activities

**Performance evaluation and communication** – Set up measures to evaluate the progress of IT-driven innovation; use the results to deliver changes that make a real contribution to business innovation and management.

To summarize, excellent IT fundamentals are necessary but not sufficient to deliver business innovation. In addition to delivering basic IT operations, there needs to be investment in IT resources of the right capability and in the right numbers for the IT organization to act as a strategic IT function. Only then will domestic IT organizations get closer to becoming business innovators.

Figure 15

Samsung SDS IT Value Management Framework





Case Study III

**Global pharmaceutical company establishing strategic IT function capabilities**

Realignment of IT and the business is a pre-condition for participation in business innovation. This company achieved such realignment through the implementation of a new IT strategy, best practice processes and governance aimed at achieving peer-level relationships with the business.

**Situation**

One of the world's most successful pharmaceutical companies had recently appointed a global CIO to oversee globalization and create a more strategic role for IT. The CIO decided to refresh the IT strategy for all business functions together with the infrastructure strategy, while pursuing organizational excellence.

A program was proposed to establish governance and core processes in support of a more strategic relationship with the business, and to establish strategic IT capabilities such as global planning and architecture.

**Approach**

The first phase of work was to align business and IT strategy.

IT business relationship functions were put in place to conduct peer-to-peer discussions

with business managers about technology and business trends and possibilities for satisfying emerging business requirements with new technology. The IT business relationship functions were designed to mirror the business, both in terms of organization and in terms of knowledge. Putting the functions in place was the first step in identifying and managing business demand.

Trend analysis and case study books were created to highlight leading practices and gain insights from the life sciences sector and from other industries. The relationship managers took these insights into discussions with business stakeholders to highlight potential solutions and to establish business priorities. Portfolios of initiatives were then identified and prioritized based on business importance, financial benefit and deliverability. This process is shown in the diagram below (figure 16).

An infrastructure strategy was developed which linked a vision for infrastructure and business requirements to a new globalized operating model.

A sourcing strategy was agreed to ensure that the right skills and capabilities were made available to the business at more competitive cost. This strategy increased the

emphasis on outsourced offshore centers, and on captive near-shore ones.

Governance across global, regional and local IT functions was rationalized and made consistent across functions. The following core processes were re-engineered in line with the objective of building a strategic relationship with the business:

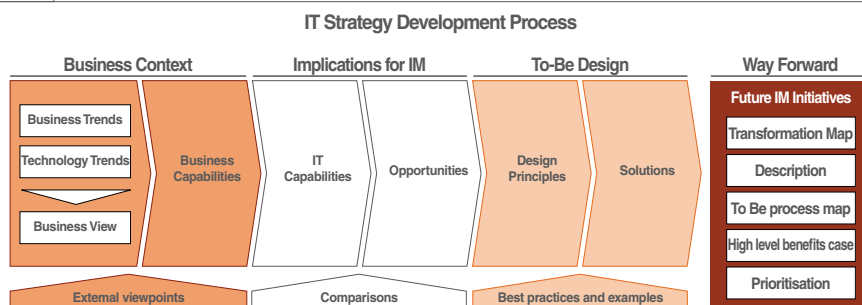
- Budgeting and control
- Change control
- Project portfolio management (PPM)
- Project management office
- Quality management
- Procurement
- Service management
- Performance management

A new global planning and architecture function was established to gain control of enterprise architecture and to enable technology-led innovation.

**Result**

The business was mobilized to take ownership of IT strategy at the global level for the first time. IT business relationship functions started to engage in strategic discussions with business stakeholders. A basis for joint innovation with the business was established.

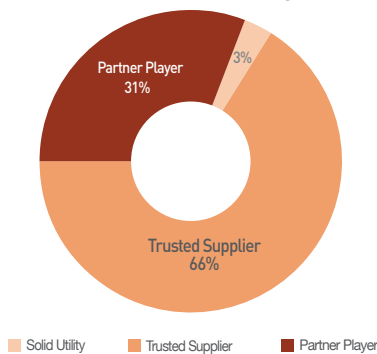
Figure 16



# Building a Relationship for Business Innovation

Figure 17

Which of the following best describes the IT function's role within the organization?



“Increasing the value of the CIO is only possible through the CEO’s firm belief in, and strong sponsorship of, IT value. The CIO needs to be recognized as a partner for business innovation”

– CIO in Manufacturing

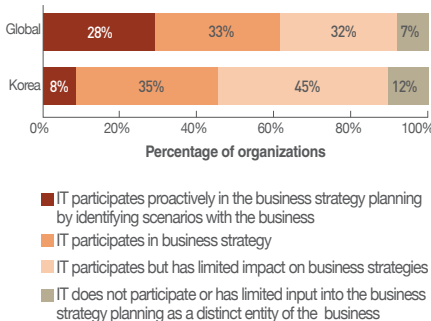
## The current role of domestic CIOs: Trusted Supplier

In its 2008 Global CIO Survey, Capgemini used an industry model<sup>3</sup> that categorized IT’s relationship with the business into three types: Solid Utility, Trusted Supplier, Partner Player.

In the case of CIOs in Korea, a majority of them are acting as Trusted Suppliers (figure 17). As was discussed earlier in this report, measuring up to the high demands and expectations of the business is the key factor for domestic CIOs.

Figure 18

How is IT aligning with the business?

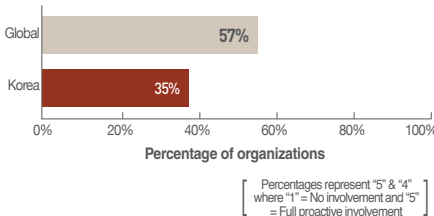


## Achieving a new role for innovation: Partner Player

Being a Partner Player means establishing a peer-to-peer relationship between business and IT. It means achieving a level of understanding such that the CIO is able to participate in corporate strategy development, aligning it with IT strategy, and the business also participates in the development of IT strategy.

Figure 19

What level of involvement does the business have in IT strategy and IT decision making?



8% of CIOs in Korea stated that they fully participated in corporate strategy. This implies that their level of participation is low compared with global CIOs (28%). Also, only 7% of CIOs in Korea responded that the business fully participated in development of the IT strategy, whereas global CIOs said 15% (figures 18 and 19).

3 Forrester Research

Solid Utility : The focus of the IT function is purely to provide a solid infrastructure and basic applications to support the business: “keep the lights on”. CIO’s focus is operational and to contain costs.

Trusted Supplier: The focus of the IT function is to provide critical technology to support enterprise functions like sales, marketing and finance: “do the project right”. CIO’s focus is service-oriented and emphasizes successful delivery.

Partner Player : The focus of the IT function is to provide technology that is integral to go-to-market offerings and will drive competitive advantage, e.g. “get the package there overnight” (depends on industry). CIO focus is to be a business partner and to integrate with enterprise strategy.

The low level of participation from each party means that business and IT do not share a common understanding, which hinders both parties from driving innovation and delivering results.

According to the survey, the most important capabilities expected of CIOs by management are business understanding and the ability to communicate, which are both critical for the CIO to earn management's sponsorship in the area of innovation.

The key is to make joint efforts as partners of innovation, based on mutual trust and understanding. Successfully achieving this is one of the distinguishing features of global Top Innovators<sup>4</sup>.

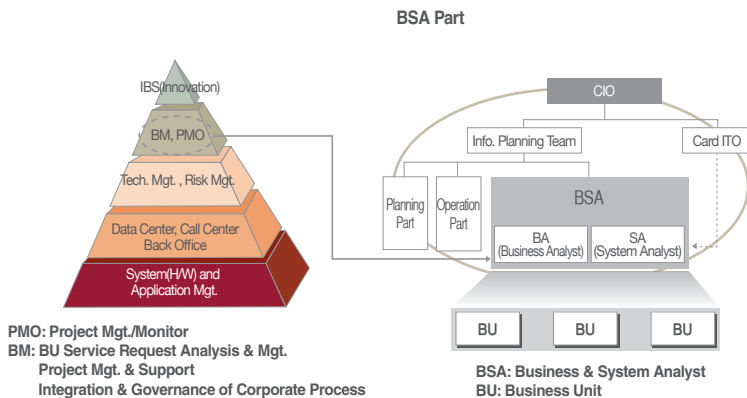
**Case Study IV**

**Samsung Card BA – BSA operations for an effective relationship with the business**

In order to build a strategic innovation capability within the IT department, Samsung Card created and is currently operating BSA (Business & System Analyst) functions that maintain the ongoing relationship with the business department (figure 20). Through this function, the department manages business IT demand, the prioritization of projects, the PMO (Project Management Office), process control, resources, system delivery and operations.

This case study is acknowledged as a model within the Samsung Group showing how to connect enterprise management strategy and IT strategy and promote innovation through IT.

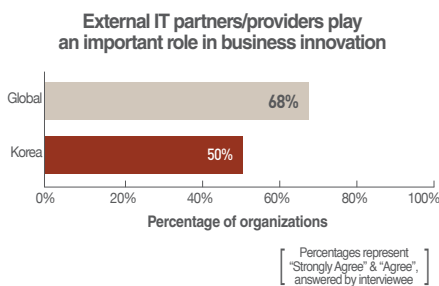
Figure 20



4 Caggemini 2008 Global CIO Survey identified 5% of respondents as "Top Innovators". Their common characteristics are: the business leadership team thoroughly understands IT; the relationship between IT and the business is effective; IT fundamentals are strong; the CIO reports into Chief Executive Officer (CEO) or Chief Operating Officer (COO) rather than Chief Financial Officer (CFO); the IT function plays the role of partner to the business, as opposed to trusted supplier or utility.

# Expanding the Network to Include External Partners

Figure 21



“In the electronics industry, technology life cycles are getting shorter and shorter while the R&D area is expanding its original scope. We cannot cover all this with our own resources alone. We need to expand collaboration with external partners”

– CEO in Manufacturing

In the midst of a fast-changing IT technical environment, customers are demanding new services and prompt responses. In practice, a company’s internal capability will prove insufficient to meet these demands. As a result, the CIO must identify how best to form partnerships (for example with outsourcers) to manage that demand.

## Utilizing external capability for innovation

When asked: “Do external partners play an important role in business innovation?”, 50% of CIOs in Korea and 68% of global CIOs answered positively (figure 21). Only 13% of CIOs in Korea “strongly agreed”, as opposed to 26% globally.

This difference between the two reflects differences in how CIOs in Korea see their external partners. Figure 22 shows that they seem to regard third parties more as suppliers or providers rather than partners in any real sense.

Apart from external IT partners, CIOs in Korea appear to depend mostly on business consulting firms for innovation, whereas global CIOs make use of a wider network of partners, such as universities, research institutes and their own customers (figure 23).

Figure 22

**Why are external partners not important in driving business innovation?**

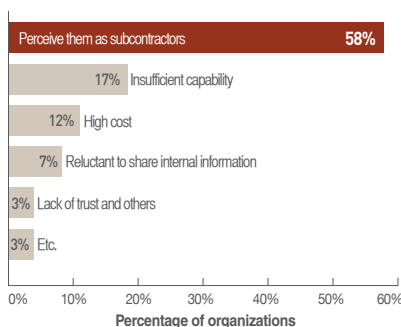
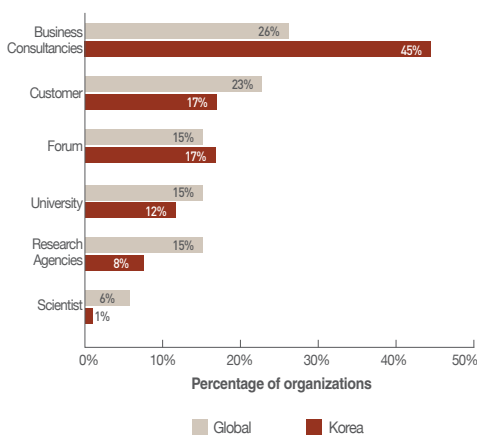


Figure 23

**Who else do you work with to drive innovation through IT?**



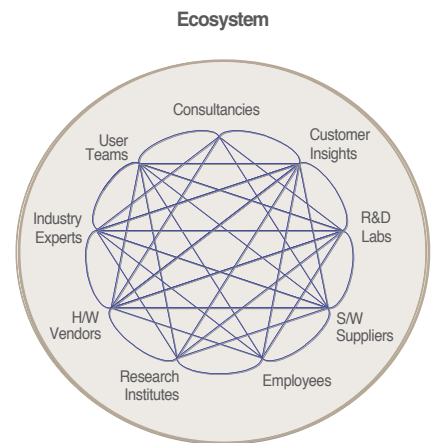
### Creating a network of external partners

Global companies who need to achieve technical leadership within challenging cost constraints often adopt what we call an “open innovation” approach obtaining new ideas from a network of external resources and contacts that they can flex as required. Intel<sup>5</sup>, Procter & Gamble<sup>6</sup> (P&G) and others have set up departments within their companies to take responsibility for open innovation. They have also created websites such as P&G’s Collaboration System and Intel Communities. Internally, they are pursuing process innovation and strengthening innovation capabilities. Externally, they are networking globally through the implementation of IT environments with expandable and efficient web services based on SOA, enabling them to partner with universities, research centers and other collaborators, with economic benefits for all parties.

Capgemini’s Global CIO Survey report describes this approach as an “ecosystem”, which leverages a network of customers, business stakeholders, and external partners for innovation. With a network like this (figure 24), the IT organization can proactively research new technologies and solutions from the market and introduce them to the business before they become a commodity.

The main pre-condition for a successful ecosystem is a trust-based, equal partner relationship among all the members of the system. Partnership with external suppliers, like partnership with their own businesses, is an area that Korean IT functions may need to work on in order to increase their ability to innovate.

Figure 24



**Marco Iansiti, a professor at Harvard, writes in his paper<sup>6</sup> “Managing the Ecosystem”:**

*“The days of the corporate lone wolf are over. In our increasingly interconnected world, standing alone is no longer a viable business model. Instead, smart companies rely heavily on networks of partners, suppliers, and customers to achieve market success and sustain performance. These networks look increasingly like a biological ecosystem, in which companies succeed and fail as a collective whole.”*

5: Intel’s Open Collaborative Model of Industry-University Research (2004, by David Tennenhouse), published by Industrial Research Institute  
 6: Connect and Develop (2006, by Larry Huston and Nabil Sakkab), published by Harvard Business Review  
 7: Iansiti, Marco. “Managing the Ecosystem.” Optimize Magazine 4, no. 2 (February 2005)

#### Case Study V

### **HM Revenue and Customs (HMRC) - ecosystem approach drives business innovation through IT**

#### **Situation**

Aspire is HMRC's 13 year partnership with Capgemini for the provision of systems and IT-led transformation to make it easier and quicker for UK citizens and enterprises to comply with their tax obligations.

Capgemini's contract manages a partner ecosystem to deliver services and foster innovation by providing access to the best available ideas, technology and services.

Harnessing capabilities of "best-in-class" companies-from hardware, software and specialist suppliers to IT service providers (often competitors)-Capgemini supports HMRC's efficiency and transformation targets and provides a window on to the world of technology, globally. The scale, complexity and criticality of IT for HMRC mean that no single supplier could deliver all the services to meet its needs. Equally, interdependencies between these different suppliers need careful management.

HMRC also has a strong requirement for IT to drive innovation, so the contract encourages innovation and implementation of significant changes to support business needs.

#### **Approach**

Capgemini provides key services and also manages supplier relationships with three core Aspire partners, another 30 business

partners and a myriad of other suppliers that are part of HMRC's ecosystem. The governance model, known as Ecosystem@HMRC, establishes a tiered operational framework with a number of partners sharing delivery risk with Capgemini. On a commercial and contractual basis, it gives HMRC visibility and input into selection and management of Aspire partners who share their innovative ideas to help HMRC's transformation.

Capgemini regularly channels information about HMRC business plans and challenges through the ecosystem, giving partners a chance to put forward ideas and proposals to improve services. In this way, the ecosystem shortens the cycle of innovation and reduces the costs of procurement and sales.

The ecosystem creates a cohesive unit of transparent and connected relationships providing HMRC with access not just to the obvious players but also to niche providers, so that Aspire can identify the best solution for each need. As a strategic procurement function, the ecosystem creates a community of pre-vetted partners, all managed via a set of procedures that encourage collaborative behavior.

#### **Result**

HMRC uses Capgemini's management of the ecosystem not only to provide itself with the best skills and technology in the market while driving down costs, it also leverages partner relationships to foster innovation.

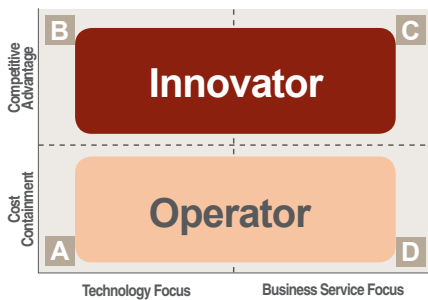
**“ Are you ready to become  
a leader of innovation? ”**



# A New Start for the CIO as a Leader of Innovation

Figure 25

Two roles of CIO: Innovator vs. Operator



## The pathway to innovation for CIOs

Capgemini's Global CIO Survey includes a communication tool, the "CIO footprint". It is used to visualize where a CIO is today with respect to innovation, and identify where the CIO should ideally be. The "footprint" has two axes: technology focus versus business focus; and cost containment versus competitive advantage.

Each quadrant within the "CIO footprint" represents a different type of activity as shown in figures 25 and 26. Quadrants A and D are associated with the operator role and B and C with the innovator role:

- Quadrant A: applying technology to reduce IT operating costs
- Quadrant D: improving business processes to reduce administration costs
- Quadrant B: discovering innovative

technology to bring value to the business

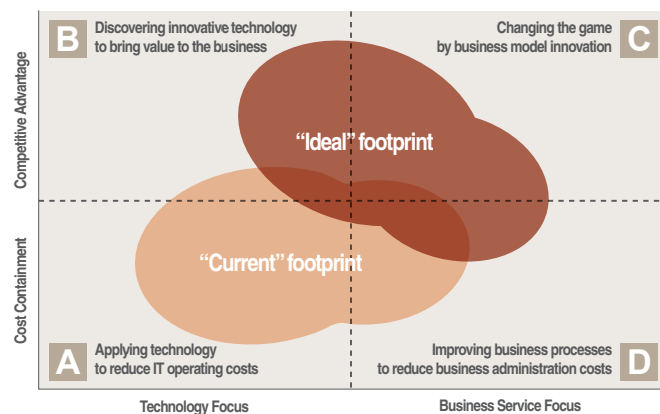
- Quadrant C: changing the game by business model innovation

It should be noted that the "CIO footprint" model does not imply that all companies must move in the same direction. Efforts must be made to find an appropriate balance between the innovator and the operator roles to suit each organization.

Our findings indicate that Korean CIOs do need to shift their focus from cost containment towards competitive advantage. This means following the route of the innovator in the "CIO footprint", focusing on quadrants B and C – see the example in figure 26.

Figure 26

Changing your "CIO Footprint" (example)





### Summary: success factors for CIOs

CIOs in Korea perform well in the delivery of fundamental IT services. This achievement provides a platform from which CIOs can progress to take on the role of innovator.

Companies need to think about where their “CIO footprint” stands today and what their ideal footprint will be. Though each footprint will be different, based as it is on each company’s environment and characteristics, a CIO wishing to play the innovator role should be focusing on how IT can help to deliver competitive advantage for the enterprise.

To do so, CIOs must strengthen the strategic IT capabilities of their IT function and establish a partnership with the business. While these may sound like obvious steps to CIOs, and indeed are being adopted as declared objectives by many companies, not all organizations are providing the

commitment that is required to succeed. The case studies described in the report show how some CIOs, despite challenges in their relationships with the business, have succeeded in strengthening strategic IT processes and building a partnership with the business. Successful case studies such as these will be a good guide for CIOs setting out on this journey.

It is very important for CIOs to have a deep understanding of their business and use that and their knowledge of the market to identify new technologies that can bring value to the business. Building an “ecosystem” will allow CIOs to take advantage of various external resources in doing so. By delivering business innovation in this way, CIOs will be able to secure their position as leaders of innovation.

**“ It took two years to build the foundation, another two years to establish a strategic information function and four years for me to get the CEO to understand what IT really is. ”**

– CIO in Financial Services

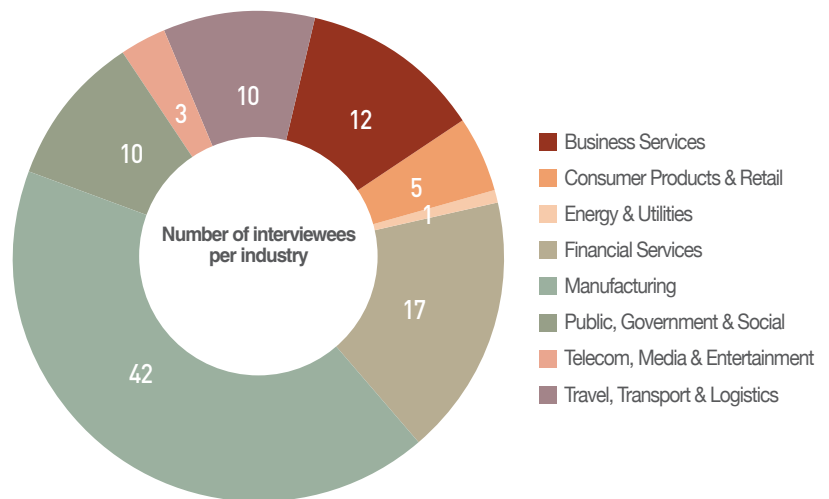
# About the Survey

## Methodology and structure

This survey is based on face-to-face interviews with CIOs and other IT executives in 100 companies in Korea. Comparisons have been made with almost 400 global CIOs, interviewed as part of

Capgemini's 2008 Global CIO survey. The interviews were conducted by senior consultants from Samsung SDS and OpenTide.

Figure 27



## Special thanks to the following in producing this report:

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# About Samsung SDS, OpenTide and Capgemini

Samsung SDS and Capgemini formed a strategic alliance in October 2007. Through the alliance, both companies have committed to engage jointly in business opportunities to support existing and future clients of Samsung SDS and Capgemini in their respective markets.

This alliance gives Capgemini's clients access to Samsung SDS' consulting capabilities in Korea, while Samsung SDS' clients benefit from Capgemini's leading position in Europe and other parts of the world. This report is an example of the close collaboration between the two companies.

## About Samsung SDS

Samsung SDS, established in 1985, is the largest integrated IT services provider of consulting, IT outsourcing, system integration, IT infrastructure, engineering outsourcing, SOC/u-City, and educational services in Korea. Supporting the global Samsung companies, Samsung SDS has grown to provide thought leadership to its clients across all industries, receiving numerous awards such as the President's Award for SDS's packaged software applications, the "Most Admired Knowledge Enterprises" award 7 times in a row, and was identified as one of the top 4 IT services vendors by Gartner Asia-Pacific. Samsung SDS employs over 8,000 people with revenues of USD 2.16 billion for 2007 across its worldwide offices. More information is available at

[www.sds.samsung.com](http://www.sds.samsung.com)

## About OpenTide

OpenTide Korea Co. Ltd., established in year 2000, is one of the largest local business/IT consulting firms in Korea and provides integrated consulting services spanning strategy, process and IT for major companies in Korea. OpenTide has been providing industry specific and specialized consulting services since 2000. Starting in 2006, OpenTide has created a separate technology outsourcing unit called OpenTide Technology Services (OTS), to fulfill the demand in application development outsourcing. OpenTide is a private company currently employing over 250 consultants. More information is available at

[www.opentide.com](http://www.opentide.com)

## About Capgemini

Capgemini, one of the world's foremost providers of consulting, technology and outsourcing services, enables its clients to transform and perform through technologies. Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working - the Collaborative Business Experience – and through a global delivery model called Rightshore®, which aims to offer the right resources in the right location at competitive cost. Present in 36 countries, Capgemini reported 2007 global revenues of EUR 8.7 billion and employs over 88,000 people worldwide. More information is available at

[www.capgemini.com](http://www.capgemini.com)



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